

PM 13.1.1992/JP

MINUTES OF THE PHILIP MORRIS/AMER CA MEETING, DECEMBER 11, 1991

Time: December 11, 1992

Place: PMAB, Stockholm

Present: Ingemo Bonnier
Hampe Moberg
Lasse Lehtinen
Johan Puotila
Kalle Soikkanen

Corporate Affairs Issues 1992 Finland

1. Taxation

a) Tax Structure

It was noted that the 1991 objective was to change the tax structure in Finland from an ad valorem structure to a predominantly specific one, maintaining an ad valorem portion.

The Valtonen tax committee finalized its work during 1991, but did not end up suggesting a positive tax structure change. Instead industry profitability, margins and competition became the main issues.

It was noted by Amer that reopening a tax structure debate by the industry in the changed situation involves eminent risks. The Government authorities supported by anti groups have stated that the Finnish tobacco tax level equals the Central European one and further discussions on tax structure and tax harmonization with EC easily leads to counter arguments requesting price cuttings by the industry and focusing on industry margins. Though being a market regulated by the Tobacco Law, there's also strong political pressure towards "free competition", meaning that for the time being price cutting brands are looked favourably upon by the authorities.

In light of the 1991 experience and the industry tax harmonization programme within EC it was decided that a separate planning meeting to evaluate the Finnish situation and to agree on the objectives, strategy, messages and action should take place in cooperation with line management and PM EEMA CA early 1992.

b) Penal Tax/Pricing

The objective is to prevent increasing the overall tax level of tobacco products and to avoid penal taxation of tobacco products.

Strategies include briefings to targeted MPs and Government

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officials on EC tax harmonization aims, emphasizing the importance of Finland not distancing itself from EC through higher tax levels; communicating CPI argumentation and regressivity messages to trade unions and preparing argumentation to counter a possible CPI threat and cost-to-society argumentation.

The CPI argumentation used in the 1991 CPI case in Sweden as well as the EC tax video were handed over to Amer. CECCM versions of the video will be sent to Amer, who will prepare Finnish subtitles for the video.

It was noted that the recent central labour agreement between the labour unions and the employers' associations include an index clause, according to which a CPI increase in excess of 5 % will lead to salary reviews. A representative of LTK (employers' association) stated to KS that if industry were to trigger this by price increases, the association would be in favour of removing tobacco from the CPI as an alternative solution.

2. Product Liability

The objective is to minimize the number of new product liability cases.

Strategies include communicating efficiently in full cooperation with the defendants in connection with the Aho case verdict due on February 6, 1992 in order to achieve balanced media coverage and to define the issue; continuing reviewing the possible implications of the new Product Liability Law on industry and continuing to develop good contacts with Finnish lawyer associations, especially the Bar Association.

It was noted that a NMA communications plan is being prepared with regard to the Aho case verdict. PM and Amer have established a steering group with the objective to assist the NMA in developing and carrying out the plan. The Aho case defendants Rettig and STOY have however stated that they are not willing to commit themselves to a final plan prior to January 13, when the final submissions on the Aho case are being filed with the court. An industry legal meeting on the case and on the communications activities will take place in London on January 16.

3. Criminal Responsibility

It was noted that Mr. Aurejärvi has initiated criminal procedures against five tobacco industry executives, incl. the ATO managing director. Police investigations have been carried out and the case will come up at the Espoo Circuit court in April 1992. The NAWH has simultaneously issued an injunction against the Finnish tobacco companies and the police is investigating whether the industry has committed a marketing crime through its financial support to the Finnish SRG Hu-Tu. Hu-Tu Chairman has been interrogated by the police and the secretary is to be interrogated.

The objective is to win any possible criminal case and to turn the criminal charges against the initiator of the process, highlighting the absurd nature of the whole process.

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Strategies include developing in full cooperation with the industry the best possible legal defense and communicating that the process is only a waste of tax payers' money and police/judicial resources and without any legal merits.

A communications plan incl. messages needs to be developed in cooperation with the NMA companies. The criminal case, if proceeded with by Mr. Aurejärvi, will most likely create huge public attention.

4. ETS and Smoker Discrimination

a) General Attitude Towards ETS/EPA Release

The objectives include balancing the public discussion on this issue; preventing the use of ETS misinformation as a tool for further smoking restrictions and establishing acceptable solutions for the smoker-non-smoker relations.

Strategies include arranging efficient ETS/EPA spokesperson training for designated Amer spokespersons; evaluating the possibility of a renewed ATO courtesy campaign; arranging ETS/EPA media briefing(s) for selected U.S. based Finnish journalists; arranging ETS/IAQ media trips to selected media/union representatives, promoting through third party allies overall IAQ messages and courtesy/tolerance messages to decision makers and the people at large and possibly utilizing the Nordic EPA brochure currently being drafted.

It was noted that in all ETS/EPA communications in Finland the current very special Finnish circumstances need to be taken into consideration. There are indications for example that Rettig/STOY are not willing to comment much on the EPA report because of the pending legal cases. Therefore Finland would be the Nordic priority market for EPA journalist briefings taking place by PM in the U.S.

As possible action the idea of having an industry sponsored well ventilated smoking lounge erected at the Helsinki airport was discussed. This could possibly be done in cooperation with HBI or a future HBI Finnish agent. This would also serve as a good example of a practical solution, demonstrating that ETS is a ventilation issue. It was agreed that union trip-type press trip to London/Bern/Neuchatel/Lausanne should be targeted for May 92. A Swedish type PM Companies/EPA briefing trip for U.S. based selected journalists should be arranged in cooperation with PM N.Y. early 1992. It was also agreed that the Swiss TV report on pollution should be utilized as efficiently in the media as possible during the Spring.

b) Workplace Smoking/Restaurant Smoking

The objective is to prevent legislation banning smoking at workplace and restricting smoking in restaurants.

The strategies outlined above serve also this specific purpose. Additionally strategies would include liaising closely with labour union representatives and the Ho&Re association; carrying out an

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smoking related issues, initiating a financial support campaign in Sweden and possibly other Nordic markets by the sister organizations and investigating the feasibility of a Hu-Tu membership acquisition campaign.

6. Marketing Freedoms

A Tobacco law amendment bill was introduced to the Government in late 1990 but was never sent to the Parliament. The bill aimed at banning trade activities and the use of diversifications like Marlboro Classics. To our best knowledge the NAWH still sees this issue as a main priority and is awaiting for a suitable opportunity to raise the issue again.

The objective is to counter any plans to further restrict the industry's right to communicate with the trade or to be engaged in brand diversifications.

The strategy is to monitor closely any legislative developments and when feasible to brief targeted decision makers and third parties of the importance of free trade and the protection of legitimate trade marks, as well as of the failure of advertising bans where introduced. It was deemed similarly important to cooperate with Marzotto and encourage them and the Finnish Marzotto dealer to defend their right to conduct a legitimate clothing business if the issue is raised again.

7. Product Regulations

The objective is to assure that the Government rather follows the guidelines set for EC in questions concerning HWLs, MCLs, "lights" and "milds" trade marks and ingredients and does not implement stricter domestic rules.

It was noted that in HWLs and MCL's the Government most likely will follow the EC guidelines. The "lights" and "milds" as well as the ingredients issue are not expected to surface in the near future, as the antis focus seems to be on ETS and legal issues.

8. Government Relations/Media Relations Activities

It was noted that the 1992 GR and MR relations activities will take place within the framework of the existing GR and MR plans for Scandinavia/Finland. It was set as a realistic objective to maintain the 1991 frequency and level of GR/MR visits. The GR relations programme would continue to utilize the goodwill deriving from well arranged F1 and possible other PM sponsored events, while media relations would focus on further developing good contacts through well arranged and informative briefing trips and cultural events.

LL and KS are to come with a proposal for possible GR guests for three F1 trips, namely Spain (May 3); Monaco (May 30) and Italy (September 13). The venues are still to be coordinated with E. Valanko to avoid mixing trade and high level GR guests. The PM Flower event is preliminary scheduled for end March and the event will be used to invite GR and media representatives. The PM World Tour of golf will also be looked into as an alternative venue for

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GR guests. It was noted that contacts with Finnish authorities dealing with the European integration issues will be further developed and focused on.

Ingemo and Kati are to plan more in detail the media visits and activities once Kati is back in the office in February.

9. Other Issues

It was noted that KS and LL should during the Spring participate, if only possible, in spokesperson and issues training courses, an ETS/primary spokesperson course being the priority.

The role and activities of Eminence need to be looked into in a separate meeting. MO is now working from home and the new structure needs to be taken into consideration.

It was also agreed that salesforce/other key personnel briefings on current CA issues should continue in connection with sales conferences or other feasible events. The more media pressure grows, the more important the frequency and quality of CA briefings becomes.

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